



THE CITY OF SAN DIEGO

## REDEVELOPMENT AGENCY

### NOTICE OF FUNDING AVAILABILITY FOR NEW AFFORDABLE HOUSING IN THE CITY OF SAN DIEGO



*A Collaboration of:*

*The City of San Diego Redevelopment Agency, Southeastern Economic Development Corporation, Centre City Development Corporation, and the San Diego Housing Commission*

# NOTICE OF FUNDING AVAILABILITY (NOFA) TO DEVELOP AFFORDABLE HOUSING IN THE CITY OF SAN DIEGO

## EXECUTIVE SUMMARY

### **BACKGROUND:**

On August 6, 2002, the City Council declared a Housing State of Emergency in the City of San Diego. Following that action, the Council approved a proposal by the Comprehensive Affordable Housing Strategy Collaborative ("the Collaborative"). The proposal leverages the redevelopment Low- and Moderate-Income Housing Fund to create a \$55 million pool of secured assets to assist in developing 2,185 new affordable housing units Citywide. The participating agencies in the collaborative are the Redevelopment Division of the Community and Economic Development Department, Centre City Development Corporation ("CCDC"), Southeastern Economic Development Corporation ("SEDC"), and the San Diego Housing Commission ("SDHC").

### **OPPORTUNITY:**

As a result of the City Council's landmark action, the Collaborative is pleased to announce the availability of funds and invites proposals from qualified developers and development teams. The goal is to increase the City's new affordable housing inventory for *very low-, low- and moderate-income* households. Proposals may be for residential or mixed-use developments; housing that is all low-income or is mixed-income; multi- or single-family dwelling units or a mixture; and rental or for-sale units or a mixture.

Financing from this Notice of Funding Availability (NOFA) may be used if *adequate* funding from *traditional* sources is *unavailable* for the proposed project. The number of affordable units and the levels of affordability provided are the primary factors in determining the level of financial assistance available to qualifying projects.

Projects may be located anywhere within the City of San Diego subject to finding that the redevelopment project area providing the funding for the proposed development derives a direct benefit from the development of the project. In addition, projects must be located on sites where residential development is permitted or ability to demonstrate reasonable expectation that appropriate zoning can be achieved. A development that removes existing housing and displaces its residents is subject to applicable California Redevelopment Law. Project management within redevelopment areas will be provided by the Redevelopment Agency, project management outside redevelopment areas will be provided by the San Diego Housing Commission.

For each proposed project, a minimum of 15% of the housing units must be affordable and have affordability restrictions of no less than 45 years for for-sale and 55 years for rental units. Eighty-five percent (85%) of the funding is for projects providing housing to households that earn at or below 80% of the area median income (AMI). Families are the priority population to be served, however projects for other populations are also welcome.

### **APPLICATIONS AVAILABLE**

Proposals will be accepted until funds are expended. For a copy of the Notice of Funding Availability (NOFA), call 619.533.4233 or visit [sandiego.gov](http://sandiego.gov) website and click onto Departments, Community & Economic Development/Redevelopment.

# TABLE OF CONTENTS

<b><u>SECTION</u></b>	<b><u>PAGE</u></b>
<b>I General Information</b>	<b>1</b>
A. Background	1
B. Overview	1
C. Participating Agencies	4
<b>II NOFA Standards and Requirements</b>	<b>5</b>
A. Location and Site Requirements	5
B. Financial Terms	5
C. Financial Assumptions	5
D. Monitoring Fees	5
E. Equal Employment Opportunity	6
F. Environmental Review	6
G. Accessibility Requirements	6
H. Replacement/Relocation Requirements	6
I. Prevailing Wage Requirements	6
J. Leveraging of NOFA Funds	6
K. Affordability Requirements	7
L. Site Location	7
M. Net New Units	7
N. Project Readiness	7
<b>III NOFA Submittal Process</b>	<b>8</b>
A. Pre-Submittal Conferences	8
B. Submittal Deadlines	8
<b>IV Selection Criteria</b>	<b>9</b>
A. Proposal and Developer/Development Team Characteristics	9
B. Financial Resources and Project Financing	9
C. Project Architecture/Planning/Design	9
<b>V Submittal Requirements</b>	<b>10</b>
A. Development Team	10
B. Development Summary	10
C. Development Concept	10
D. Qualifications	10
E. Developer Experience	10
F. Developer References	10
G. Equal Opportunity Program	10
H. Priorities and Needs Assessment	11
I. Proposal Submittal Format	11
J. Proposal Submittal	11

## **ATTACHMENTS & WORKSHEETS**

Attachment 1      Registration of Interest Form

Attachment 2      Proposal Submittal Documents

- Worksheet A - Site Development Summary
- Worksheet B - Rental Product
- Worksheet B - For Sale Product
- Worksheet C - Statement of Qualifications & Financial Summary
- Worksheet D - Workforce Report

Attachment 3      2003   Housing Affordability Levels

- Memo from Keyser Marston Associates Inc
- #A: California Redevelopment Law Rent Restrictions
- #B: Tax Credit Rent Restrictions
- #C: Utility Allowances
- #D: California Redevelopment Law Price Restrictions

# NOTICE OF FUNDING AVAILABILITY (NOFA)

## TO DEVELOP NEW AFFORDABLE HOUSING IN THE CITY OF SAN DIEGO

### SECTION I – GENERAL INFORMATION

#### A. BACKGROUND

On August 6, 2002, the City Council declared a Housing State of Emergency in the City of San Diego. Following that action, the Council approved a proposal by the Comprehensive Affordable Housing Strategy Collaborative (“the Collaborative”). The proposal leverages the redevelopment Low- and Moderate-Income Housing Fund to create a \$55 million pool of secured assets to assist in developing 2,185 new affordable housing units in the next five years. The participating agencies are the Redevelopment Agency of the City of San Diego (“Agency”), Centre City Development Corporation (“CCDC”), Southeastern Economic Development Corporation (“SEDC”), and the San Diego Housing Commission (“SDHC”).

The Collaborative is pleased to announce the availability of funds and invites proposals from qualified developers, development teams and property owners to increase the City’s supply of affordable housing to very low, low- and moderate-income households. Housing production options include all low-income, mixed-income, mixed-use, multi-family, single-family, and rental or for-sale projects.

Financing from this Notice of Funding Availability (NOFA) may be used if *adequate* funding from *traditional* sources is *unavailable* for the project. The number of affordable units, type of household served, and levels of affordability provided are primary factors in determining the amount of financial assistance allotted to qualifying projects.

Proposals will be accepted from the following types of organizations: 1) private developers, 2) nonprofit housing development organizations, and 3) private developers in partnership with nonprofit service providers or developers.

The first NOFA release date is February 3, 2003 and includes submittal requirements, forms, and selection criteria such as product type, affordability levels, project readiness, location, funding gaps, and developer team qualifications. Two annual pre-submittal conferences will be held for interested proposers.

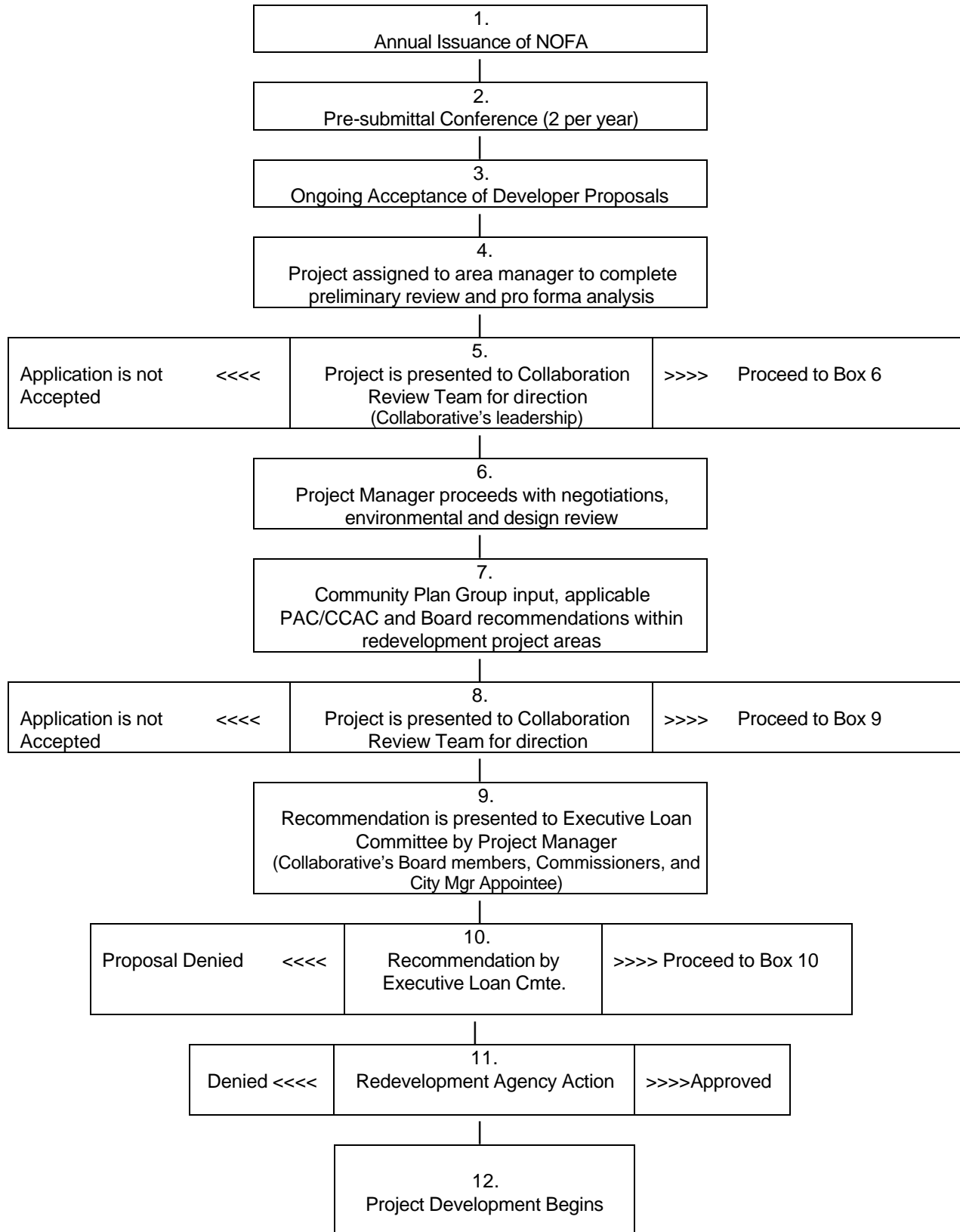
#### B. OVERVIEW

##### 1. Location

Projects may be located anywhere within the City of San Diego subject to finding that the redevelopment project area providing the funding for the proposed development derives a direct benefit from the development of the project. Projects must be located on sites where residential development is permitted or where a reasonable expectation that appropriate zoning can be obtained can be demonstrated. Development that removes existing housing and displaces its residents is subject to applicable requirements as stated in California Redevelopment Law.

## 2. NOFA Process

The flowchart illustrates the process from NOFA issuance to selection.



### 3. Priorities and Minimum Affordability Requirements

#### Rental Development

For the purpose of the NOFA, a minimum of 15% of the residential units in the proposed project must fulfill the income requirements shown in the chart below. The main objective is for projects to provide housing to households with an income that is at or below 80% of the area median income (AMI). Although the priority population to be served is families, projects for other populations are also encouraged. Restrictions are for a minimum term of 55 years.

#### For-Sale Development

For the purpose of the NOFA, it is the policy of the Redevelopment Agency that the Low- and Moderate-Income Housing Set-Aside Funds be used to include a minimum of 15% of the residential units must fulfill the income requirements below. These restricted units in a for-sale development will include restrictions relating to initial buyers and may include restrictions on subsequent buyers, such as resale restrictions and/or Agency equity/appreciated value participation. Restrictions are for a minimum term of 45 years.

This chart shows the affordability level, product type and goal, and household type ranked by priority to be eligible for this funding. Attachment 3 provides detailed information relating to affordability based upon income levels, rent levels and sales prices by household size.

<b>AFFORDABILITY LEVELS</b>	<b>NUMERIC GOALS</b>	<b>SHOWN IN ORDER OF PRIORITY</b>
Very- Low Income (<50% AMI)	1,200 units (55%)	1) Small families (1 & 2 bdrm units) 2) Large families (3+ bdrm units) 3) Individuals; Seniors; & Special Purpose (SRO, studio, & loft units)
Low-Income (<80% AMI)	655 units (30%)	1) Small families (1 & 2 bdrm units) 2) Large families (3+ bdrm units) 3) Individuals & Seniors (SRO, studio, & loft units)
Moderate-Income (<120% AMI)	330 units (15%)	1) Home ownership for families 2) Rentals for large families

### 4. Leveraging

The NOFA funds must be leveraged with other resources. Leveraging may be private equity, loans from lending institutions, and/or funds from Federal, State, or local programs such as the Low-Income Housing Tax Credits, Multi-Family Housing Revenue Bonds, Multi-family Housing Program (MHP). The San Diego Housing Commission has information on these program funds.

## **C. COLLABORATIVE AGENCIES**

### **Redevelopment Agency:**

The Redevelopment Agency of the City of San Diego was created by the City Council in 1958. The City of San Diego Redevelopment Agency consists of three divisions: the City Redevelopment Division (housed in the City of San Diego Community and Economic Development Department), the Centre City Development Corporation and the Southeastern Economic Development Corporation. Although the Redevelopment Agency is a separate, legal entity, the City Council serves as its legislative body. The Mayor chairs the Agency, the City Manager is the executive director, and the City Attorney serves as general counsel. The director of the City's Community and Economic Development Department serves as the assistant executive director. The Redevelopment Division of the City's Community and Economic Development Department serves as staff to the Agency.

Centre City Development Corporation (CCDC) and Southeastern Economic Development Corporation (SEDC) as well as the City's Redevelopment Division of the Community & Economic Development Department carry out redevelopment activities in the Agency's 16 redevelopment project areas and one study area. These areas encompass more than 8,000 acres. Of those, the Redevelopment Division has 5,600 acres in 9 redevelopment areas in its purview, CCDC manages 1,490 acres in 2 project areas and SEDC administers 5 project areas in 940 acres.

### **Centre City Development Corporation (CCDC)**

CCDC is a public, non-profit agency created by the City of San Diego in 1975 to implement the redevelopment strategy in the Downtown Project Areas. CCDC functions pursuant to an Operating Agreement with the Redevelopment Agency of the City of San Diego. CCDC is responsible for a wide range of activities affecting Downtown development including planning, zoning administration, property acquisition and disposition. CCDC works with qualified developers or development teams concerning rehabilitation projects, new construction, affordable housing and public improvements.

### **Southeastern Economic Development Corporation (SEDC)**

SEDC is an independent corporation in charge of all redevelopment activities within a 7-square-mile area adjacent to downtown San Diego. Established in 1981, SEDC is responsible for an area bound by Martin L. King, Jr. Freeway (Highway 94) to the north, Interstate 5 to the south and west, and 69<sup>th</sup> Street to the east. SEDC's sphere of influence covers 15 neighborhoods and four adopted redevelopment project areas - Central Imperial, Gateway Center West, Mount Hope and Southcrest. The Dells/Imperial area remains a study area and is currently undergoing a community led revitalization effort. SEDC has employed a comprehensive approach to redevelopment, which has resulted in major residential, commercial and industrial developments.

### **San Diego Housing Commission**

The San Diego Housing Commission (SDHC) is a public agency, created in 1979 by the San Diego City Council, to address affordable housing needs Citywide. SDHC helps house more than 75,000 San Diegans each year through a variety of programs, including rental assistance, development of new housing, rehabilitation of older housing, management of publicly owned housing, and financial assistance for low- to moderate-income first time homebuyers. SDHC also works with other organizations to meet special housing needs.



## **SECTION II – NOFA STANDARDS AND REQUIREMENTS**

### **A. LOCATION AND SITE REQUIREMENTS**

- Projects must be located in the City of San Diego. Low- and Moderate-Income Housing Funds can be used in areas outside the adopted Redevelopment Project Areas or in other Redevelopment Project Areas by establishing benefits relating to the project area from which the funds originated. This is called a *Finding of Benefit*.
- A development that removes existing housing is subject to applicable relocation and housing replacement requirements as stated in California Redevelopment Law and is strongly discouraged.
- Projects should be accessible to mass transit, shopping, schools, parks, and other amenities.
- Projects must be located on sites where residential development is currently permitted or applicant must demonstrate appropriate zoning can be obtained.
- Final approval of a project will require site control and the developer may demonstrate site control with the following:
  - ✓ a 90-day renewable proof of site control such as a purchase agreement;
  - ✓ a master lease of 55 years on the proposed site; or
  - ✓ a similar enforceable commitment negotiated with and signed by Redevelopment Agency representatives.

### **B. FINANCIAL TERMS**

The Agency uses its Low- and Moderate-Income Housing Fund in the form of secured loans to implement affordable housing projects. Repayment terms are often based on sharing residual receipts after debt service on amortized loans, reserves, operating expenses and appropriate developer return. Interest rates and repayment terms are determined in the course of negotiations and relate to the financial feasibility of a proposed project. Development teams must use the loan terms listed in the Financial Assumptions section below when preparing a project financial pro forma for submittal under this NOFA.

### **C. FINANCIAL ASSUMPTIONS**

The following assumptions are typical and should be used when preparing the financial pro forma:

- Public Agency loan: 55-year, 3% loan with residual receipts split 50/50
- Developer's fee: maximum 10% of total development cost
- Rent increases: 2½% annually
- Expense increases: 3½ % annually
- First year debt coverage ratio: not less than 1.10
- Assume full development fees
- \$3,000 per unit minimum annual operating expenses, exclusive of property taxes, any service amenities, and replacement reserves
- Replacement Reserves: not less than \$200 per residential unit
- Purchase price of the proposed development site not to exceed appraisal value
- Construction estimates: assume prevailing wage requirements
- Vacancy rates for residential units: 5% / commercial space: 50%
- SDHC monitoring fees for affordable units

### **D. MONITORING FEES**

The San Diego Housing Commission will monitor tenant income and rent restriction

compliance. Monitoring fees must be incorporated into the operating pro forma and will be included in the Development Agreement. The current set-up fee is \$500. The annual monitoring fees are on a sliding scale, based on the number of restricted units. For projects of 40 units or less, the current fee is \$65 per unit; for projects of 41 through 80 units, the fee is \$55 per unit; and for projects over 80 units, the fee \$45 per unit. Each year after project completion, the fee increases by the same percentage as any increase in the Consumer Price Index for San Diego. Annual reports will be provided to the Redevelopment Agency on a per project basis.

#### **E. EQUAL EMPLOYMENT OPPORTUNITY**

Projects must comply with local and federal procurement requirements, including the provision of equal employment opportunities for members of underrepresented ethnic groups, females, and disabled veterans business enterprises to participate in projects funded under this NOFA.

Further, all fair housing laws and requirements will apply to tenants or homebuyers seeking to be occupant in the completed development.

#### **F. ENVIRONMENTAL REVIEW**

Projects receiving federal funds will be affected by requirements for federal environmental review under the National Environmental Protection Act (NEPA). Additionally, depending on project specifics, proposed developments may be affected by review under the California Environmental Quality Act (CEQA), federal "Section 106" historical resources preservation review, and/or the guidelines of the city community Plans or redevelopment area plans.

#### **G. ACCESSIBILITY REQUIREMENTS**

The City of San Diego desires to provide full accessibility to all facilities and buildings to all of its citizens through high quality planning and design and by supporting projects that embrace the best available practices for full access. Therefore, projects must meet all applicable accessibility standards related to publicly-funded housing development under Section 504 of the Rehabilitation Act of 1973, the Architectural Barriers Act, the Americans with Disabilities Act, and certain statutes and regulations of the City and County of San Diego.

#### **H. REPLACEMENT/RELOCATION REQUIREMENTS**

Applicants are subject to the provisions of either the federal Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) and California State Relocation law.

#### **I. PREVAILING WAGE REQUIREMENTS**

Projects selected for NOFA funding may be subject to applicable state or federal requirements with regard to prevailing wages and labor standards, depending on the proposed funding sources by the developer. Developers are responsible for compliance and will be responsible for implementing any applicable prevailing wage requirements.

#### **J. LEVERAGING OF NOFA FUNDS**

The project maximizes its use of available, non-City funds to achieve the highest reasonable financial leveraging of City sources included in this NOFA for capital development and housing operations.

#### **K. AFFORDABILITY REQUIREMENTS**

Attachment 3 provides detailed information relating to affordability based upon income levels,

rent levels and sales prices by household size.

**L. SITE LOCATION**

The project site is proximate to shopping, medical facilities, parks, transportation, schools, places of employment and other necessary services for the intended residents.

**M. NET NEW UNITS**

The project maximizes the number of net new units and involves minimal permanent displacement of residential tenants.

**N. PROJECT READINESS**

The developer has provided a realistic timeline to reach certificate of occupancy and evidences a readiness to carry out the development promptly upon selection and completion of negotiations.

## **SECTION III - NOFA SUBMITTAL PROCESS**

Interested parties are invited to submit a Registration of Interest Form (Attachment 1) to ensure that they receive any addenda to this NOFA. Please register as soon as possible.

### **A. PRE-SUBMITTAL CONFERENCES**

Two pre-submittal conferences will be held in the City Administration Building annually. All potential applicants and interested parties are strongly encouraged to attend the pre-submittal conferences. The purpose of the conferences is to:

- Further describe the purpose and objectives of the issuance of the NOFA;
- Summarize the proposal procedures, requirements, and project selection procedures;
- Discuss responsibilities of the Collaborative and the applicants;
- Identify potential development team partners; and
- Provide answers to any questions regarding the NOFA.

The first conference will be held in the City Administration Building, located at 202 "C" Street, San Diego, California. The second conference will ALSO be held at the same location.

### **B. SUBMITTAL DEADLINES**

Project proposals can be submitted to the Collaborative at any time. If the project will be competing for tax credit or other competitive process funding, the Collaborative must receive a COMPLETE proposal for this funding 100 days prior to the earliest of the other funding deadlines.

## **SECTION IV – SELECTION CRITERIA**

The Collaborative intends to select and recommend development proposals and development teams to the Agency based on the following factors:

### **A. PROPOSAL AND DEVELOPER/DEVELOPMENT TEAM CHARACTERISTICS**

1. Experience in developing, marketing, selling and/or managing high quality, residential developments;
2. Project readiness, including site control, appropriate zoning, community support and a reasonable time frame for the development;
3. Experience in developing projects in a redevelopment area and/or developing projects in a public/private partnership;
4. Demonstrated ability to develop a project, which is an asset and a “correct fit” for the proposed neighborhood;
5. The proposed project is of benefit to the Redevelopment Project Area contributing to the project financing;
6. Ability to bring together resources, experience and capability to assure timely completion of the proposed development;
7. Demonstrated ability to comply with the City’s Equal Opportunity Program;
8. Appropriateness of the business transaction proposed by the developer or development team; and
9. Ability to develop a project that provides a mix of units affordable to households meeting the objectives and priorities as outlined in Section I – Priorities and Minimum Affordability Requirements” of this NOFA.

### **B. FINANCIAL RESOURCES AND PROJECT FINANCING**

1. Demonstrated ability to provide project funding, including current relationships with major lenders and/or past funding experience with affordable housing projects;
2. Ability to provide sufficient project equity to demonstrate commitment to the success of the project and to satisfy conventional lender requirements;
3. Ability to generate development concepts for the project that will create a high quality, successful project with affordability that meets the objectives of the Collaborative, Agency and respondent;
4. Ability to generate an acceptable affordable housing proposal that reflects the community in which it will be located; and
5. Strategy to provide meaningful subconsulting and subcontracting opportunities through the project.

### **C. PROJECT ARCHITECTURE/PLANNING/DESIGN**

1. Demonstration of architectural and urban design experience on projects similar in quality and scale to the proposed project;
2. Design experience with projects in a variety of urban settings;
3. Experience with development sites that may require working with significant site design and engineering constraints; and
4. Ability of design team to focus on the unique characteristics of the proposed site and neighborhood.

## SECTION V – SUBMITTAL REQUIREMENTS

The initial proposal must include, *and only include*, the requested information and materials listed below:

### A. DEVELOPMENT TEAM

- Identification of the Developer, Project Architect(s) and other members of the development team or consultants who will be responsible for implementing the proposed project (name of individual, firm's name and address, and telephone number).
- Provide a **very concise** narrative addressing the availability of local resources, experience or capabilities to ensure timely implementation of the proposed development.

### B. DEVELOPMENT SUMMARY

- Complete the Development Summary (Worksheet A) and Development Financial Data (Worksheet B).

### C. DEVELOPMENT CONCEPT

- Basic concept drawings including site plan and elevations (no other drawings or models of the proposed project may be submitted with the initial submittal).
- A **very concise** narrative describing the development concept for the Site, including resident profile, description of the height, bulk and architectural design concept for the project.
- Identification of any aspect of the project's design that does not meet the minimum development standards and/or requirements of the applicable codes and ordinances.

### D. QUALIFICATIONS

Complete Worksheet C, Statement of Qualifications.

### E. DEVELOPER EXPERIENCE

- A very concise schedule of affordable projects completed by the Developer and/or architect(s) (including photographs). Include types of projects, project address, unit count by type and size of unit, completed value, lenders involved and construction completion dates.
- A **very concise** narrative identifying any development team experience in developing projects with a redevelopment agency or other public/private partnership.

### F. DEVELOPER REFERENCES

- A list of professional references (lenders, investors, major accounts, etc.), with full names, relationship to the team member, address and telephone number.
- A very concise narrative identifying any development team experience in developing projects with a redevelopment agency or other public/private partnership, and providing references for the projects.
- List of professional references (lenders, investors, major accounts, etc.), with full names, relationship to the team member, address and telephone number.

### G. EQUAL OPPORTUNITY PROGRAM

The City of San Diego is strongly committed to equal opportunity in the solicitation of business contracting to assure that persons or businesses doing business with or receiving funds from

the NOFA are an equal opportunity business and employer. The City of San Diego endeavors to do business with firms sharing its commitment to equal opportunity and will not do business with any firm that discriminates.

- Respondents must provide a concise narrative describing the team's overall strategy to outreach on this development proposal and an outline of methods that will be employed regarding advertising for subconsulting and subcontracting opportunities for this project.
- Completed Workforce Report (Worksheet D).

## **H. PRIORITIES AND NEEDS ASSESSMENT**

The Collaborative used SANDAG's Regional Share statistics to identify the projected need for housing units (1999 – 2004). San Diego Housing Commission statistical request reports for low- and moderate-income housing were used to establish need profiles and applied to the number of units that were established as the housing production goals.

Projects that are compatible and appropriate to the neighborhood's profile and character; whose proposals are complete; and where objectives correspond with those set forth in this NOFA will be viewed as responsive.

## **I. PROPOSAL SUBMITTAL FORMAT**

- a. Proposals are to be sealed and marked "NOFA."
- b. Proposal packages must be organized and tabbed consistent with the Proposal Requirements outlined in Section V of this NOFA and include a table of contents and numbered pages.
- c. Submittals must include **one (1) signed original** (with no binding, staples or foldouts and can be readily placed in a standard copy machine for reproduction) suitable for copying **and five (5) copies** on 8 1/2" x 11" sheets and 11" x 17" foldouts as necessary. The original and all copies must include full sets of exhibits.
- d. Referenced forms are located in the Attachments Section at the end of this NOFA.
- e. All decisions about completeness, responsiveness, and acceptability of proposals shall be at the discretion of the Collaborative.

## **J. PROPOSAL SUBMITTAL**

Proposals are to be submitted, in person, by mail or similar delivery (not electronically or by fax) and be delivered to the offices of:

**Affordable Housing NOFA Program  
The City of San Diego, Redevelopment Agency  
600 "B" Street, Suite 400  
San Diego, CA 92101  
619.533.5212**